

BDAC Finance Work Group

Meeting Summary

October 1, 1997

Status Updates

Information reports were provided on the status of the federal funding effort, the State/Federal Cost Sharing Agreement, and the Ag/Urban group. Rich Atwater reported that an appropriation of \$85 million had passed both the House and Senate on 9/30. Zach McReynolds noted that a cost sharing agreement was required in order to expend the funds, and that the CALFED Policy Group had given preliminary approval to the draft cost sharing agreement. David Yardas reported developments with the CVPIA allocation which were of grave concern to EDF. Randall Neudeck reported that the Ag/Urban group had met in late September and generally approved their work plan but were still working on financial issues and as of this time they had no new information to report. Amy Fowler indicates that an area of interest to stakeholders was in defining what was affordable for users.

Discussion of Allocation Approaches

Zach McReynolds distributed a set of worksheets identifying policy issues with respect to funding each of the Program components (see attached worksheets). These worksheets gave rise to a number of comments and suggestions about how the funding strategy should be developed.

Rosemary Kamei asked about payment of O&M costs for ERPP programs. Zach responded that the Prop 204 funds, being tax-exempt bond proceeds, could not be spent on O&M. Federal and stakeholder funds could, but state and federal agency officials were reluctant to dedicate large amounts of this limited funding to O&M, preferring to find local partners who could be responsible for O&M as their share of project costs. This approach has the advantage of creating a local interest in the continuing efficient operation of the projects. Providing for secure O&M funding over time is a overlapping issue with the Assurances plan.

David Yardas pointed out that the Common Programs other than the ERPP had existing funding sources, including some from Prop 204, which had not been included in the materials as funding sources. This comment was seconded by Jeff Jaraczski, who reminded the group that his organization had put redirection of existing funding sources high on its list for paying for the CALFED Solution. Amy Fowler suggested that CALFED staff prepare a complete listing of existing revenue sources as a starting point for further work.

Bob Raab suggested that we should consider prioritizing certain of the components of the Program, and that all components should not proceed together. Dennis O'Connor and others pointed out that moving forward together was one of the fundamental values of the CALFED Program, and that not doing so would not be seen as equitable.

Rosemary Kamei pointed out that to the extent user fees are used, the need to be protected and assurances provided that they are expended as expected. This is an overlap issue with the Assurance plan.

There was some discussion of the potential for double-counting levee costs, given that much of the levee work can benefit both system integrity and the ERPP. Zach agreed that this was a valid point, and efforts were underway to eliminate any double-counting.

Greg Zlotnick reiterated the point that user fees should reflect benefits, which will vary from group to group. He suggested that this means a postage stamp fee will not work in this context. Dennis O'Connor requested a more specific discussion of which fees would be used for which programs, given that several Common Programs were discussed as a group in the handout.

Bob Raab reminded the group of the "Follow the Water" concept, and suggested this might be a workable cost allocation approach. Zach McReynolds pointed out that the handouts did not discuss how

to split the costs among the different sources, but only provided an initial listing of feasible sources. Roberta Borgonovo reminded the group of our basis benefits-based approach.

David Yardas expressed his concern that the group was not doing useful work. Zach McReynolds responded that, on the contrary, the comments that had been made at the last few meetings were extremely helpful to him in terms of clarifying on a practical level what the eventual structure needed to look like, and what concerns must be addressed in order to make the Financial Strategy viable. The group was also identifying a number of overlap issues with the Assurances plan that would need to be addressed, potentially by the two groups working together.

Attendance

Eric Hasseltine
Roberta Borgonovo
Rosemary Kamei
Bob Raab
Dennis O'Connor
Craig Stroh
Lora Steere

Greg Zlotnick
Earl Nelson
Marni Buchanan
Rich Atwater
Randall Neudeck
Amy Fowler
Jeff Jaraczski

David Orth
Louise Steenkamp
Carolyn Barbulesco
Julia MaClay
Robert Mott
David Yardas